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Joint Inspection Unit

Preparedness of United Nations system organizations for the International Public Sector Accounting Standards (IPSAS)

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled "Preparedness of United Nations system organizations for the International Public Sector Accounting Standards (IPSAS)" (JIU/REP/2010/6).

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Summary

The report of the Joint Inspection Unit entitled "Preparedness of United Nations system organizations for the International Public Sector Accounting Standards (IPSAS)" reviews the status of the transition by organizations of the United Nations system to the International Public Sector Accounting Standards and identifies best practices and risks.

The present report presents the views of United Nations system organizations on the recommendations provided in the report of the Joint Inspection Unit. The views of the system have been consolidated on the basis of inputs provided by member organizations of the United Nations System Chief Executives Board for Coordination, which welcomed the analysis contained in the report and its recommendations. Agencies generally accepted the benchmarks proposed in the report, although they expressed reservations regarding some of them.

1. The report of the Joint Inspection Unit entitled "Preparedness of United Nations system organizations for the International Public Sector Accounting Standards (IPSAS)" (JIU/REP/2010/6) reviews the status of the transition by organizations of the United Nations system to the International Public Sector Accounting Standards (IPSAS) and identifies best practices and risks. The report proposes a collection of benchmarks that agencies should apply when implementing IPSAS.

2. The members of the United Nations System Chief Executives Board for Coordination welcomed the analysis contained in the report, as well as its recommendations, with many agencies indicating that they have either adopted, or are in the process of adopting, many of the proposed benchmarks.

3. While noting that the first two recommendations are directed at legislative bodies, many CEB members note that they already provide regular reports to their legislative bodies regarding their IPSAS implementations, as called for in recommendation 1.

4. Agencies accept the benchmarks proposed by the Joint Inspection Unit; however, agencies commented on several of them. First, CEB members noted that best practice 13 ("plan and prepare interim financial statements for review by external auditor(s) well ahead of the final implementation date to avoid unpleasant surprises") may prove difficult to apply for agencies that have a highly decentralized structure that operates multiple financial systems. The United Nations Secretariat, for instance, is currently implementing a new enterprise resource planning system that will integrate multiple systems that currently exist in different locations. Since all locations may not implement the new enterprise resource planning system simultaneously, and given the tight timeline for the enterprise resource planning implementation, this organization may encounter difficulties in producing a large number of interim financial statements.

5. Agencies also expressed concern that best practice 15 ("perform continuous testing of internal controls during the preliminary implementation stage of an IPSAS project to ensure the accuracy of the data") may not fully represent the proper relationship between business owners and internal audit departments in the area of internal control testing. Some agencies felt that this process may best fully belong within the mandate of internal audit. In support of this view, the United Nations Secretariat cites Regulation 5.15 of its Financial Regulations and Rules, which states, in part, that "... internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls".

6. Finally, some agencies also commented that for them, best practice 16 ("ensure that an independent and comprehensive validation and verification of the system is performed towards the end of its completion") may prove difficult to apply. These agencies note that as IPSAS requirements are embedded into existing business processes and ERP systems, they will be subject to extensive testing before deployment in order to assure validation and verification. Therefore, waiting until the end of the implementation reaches the end of its completion may prove too late to make changes.